

# **Village of Lyons**

**Annual Financial Report  
February 28, 2007**

# Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Lyons	County Ionia
Fiscal Year Ends February 28, 2007	Opinion Date December 6, 2007	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements including the notes, or in the Management Letter (report of comments and recommendations):

**Check each applicable box below. (See instructions for further detail.)**

- 1 ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the recording entity notes to the financial statements as necessary.
- 2 ☒ ☐ There are no accumulated deficits in one or more of this unit's Unreserved fund balances/Unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- 3 ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- 4 ☒ ☐ The local unit has adopted a budget for all required funds.
- 5 ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- 6 ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- 7 ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- 8 ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- 9 ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin).
- 10 ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- 11 ☒ ☐ The local unit is free of repeated comments from previous years.
- 12 ☒ ☐ The audit opinion is UNQUALIFIED.
- 13 ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- 14 ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- 15 ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe):	<input type="checkbox"/>	
Certified Public Accountant (Print Name) Richard L. Baldermann, CPA		Telephone Number 517-656-4772
Street Address 197 Wild Cherry Drive		City Williamston
		State MI
		Zip 48896
Authorizing CPA Signature 		Printed Name Richard L. Baldermann, CPA
		License Number 11C-011385



# *Village of Lyons*

*212 Water Street, PO Box 175  
Lyons, Michigan 48851*

## **PRESIDENT**

Bernard Russell

## **COUNCIL MEMBERS**

Roslyn Ferris  
Stanley Nave  
Ann Randall  
James Shattuck  
Paul Tunell  
Carrie Webster

## **CLERK**

Jill Stilson

## **TREASURER**

Linda Rairigh



# *Village of Lyons*

Ionia County

February 28, 2006

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Richard L. Baldernann

Certified Public Accountant

1197 Wild Cherry Drive, Williamston, MI 48895

Office: (517) 655-4772

Cell Phone: (517) 896-2210



e-mail: [ribaldernann@msn.com](mailto:ribaldernann@msn.com)

INDEPENDENT AUDITOR'S REPORT

December 6, 2007

Lyons Village Council  
212 Water Street  
P.O. Box 175  
Lyons, Michigan 48851-0175

Dear Council Members:

I have audited the accompanying basic financial statements of the Village of Lyons as of February 28, 2007 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Lyons Village as of February 28, 2007 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The required supplemental information, budgetary comparison schedules, and combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Richard L. Baldernann, CPA

**VILLAGE OF LYONS**  
 212 Water Street, P.O. Box 175  
 Lyons, Michigan 48851  
 989.855.2125 FAX: 989.855.2813  
[villageoflyons@lyonsvillage.org](mailto:villageoflyons@lyonsvillage.org)

## Management's Discussion and Analysis

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provides information about the activities of the Village as a whole and presents a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

### The Village as a Whole

The Village's combined net assets increased 5.7% from a year ago—increasing from \$2,141,789 to \$2,263,012. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase of approximately \$432,000 during the year (34.6% increase). The business-type activities experienced a \$249,000 decrease in net assets. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Current Assets	324.2	340.7	334.1	300.6	658.3	641.3
Noncurrent Assets	924.8	1,534.1	1,101.4	1,005.2	2,026.1	2,539.3
Total Assets	<u>1,249.0</u>	<u>1,874.8</u>	<u>1,435.5</u>	<u>1,305.8</u>	<u>2,684.4</u>	<u>3,180.6</u>
Long Term Debt						
Outstanding		175.0	572.0	635.2	572.0	810.2
Other Liabilities		18.9	31.7	88.5	31.7	107.4
Total Liabilities		<u>193.9</u>	<u>603.7</u>	<u>723.7</u>	<u>603.7</u>	<u>917.6</u>
Net Assets						
Invested in Capital						
Assets Net of Debt	924.8	1,359.1	496.9	292.4	1,482.9	1,651.5
Restricted	85.7	9.8	32.5	34.2	118.2	44.0
Unrestricted	238.5	312.0	302.2	255.5	540.7	567.5
Total Net Assets	<u>1,249.0</u>	<u>1,680.9</u>	<u>831.6</u>	<u>582.1</u>	<u>2,141.8</u>	<u>2,263.0</u>
Total Liabilities						
and Net Assets	<u>1,249.0</u>	<u>1,874.8</u>	<u>1,435.3</u>	<u>1,305.8</u>	<u>2,745.5</u>	<u>3,180.6</u>

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$73,500 for the governmental activities. This represents an increase of approximately 30.8%. The current level of unrestricted net assets for our governmental activities is \$312,000, or about 133% of expenditures.

## Management's Discussion and Analysis

The following table shows the changes of the net assets (in thousands of dollars) as of the current date.

	Governmental Activities		Business Type Activities		Total	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Program Revenues						
Charges for Services	8.2	1.1	235.3	226.9	243.5	228.0
Operating Grants and Contributions	75.0	74.2	13.2	11.8	88.2	86.0
General Revenues						-
Property Taxes levied for general purposes	121.5	128.9			121.5	128.9
Proportionate Share Revenue	85.6	84.8			85.6	84.8
Licenses and Permits	0.3				0.3	-
Miscellaneous	11.3	16.7	28.8	72.5	40.2	89.2
Unrestricted Investment Earnings	7.5	7.5	9.6	15.3	17.0	22.8
Transfers and Other Revenue						
Total Revenues	<u>309.4</u>	<u>313.2</u>	<u>286.8</u>	<u>326.5</u>	<u>596.2</u>	<u>639.7</u>
Program Expenses						-
General Government	150.6	137.2			150.6	137.2
Public Safety	3.9	5.3			3.9	5.3
Public Works	98.5	63.3			98.5	63.3
Culture and Recreation	7.0	19.9			7.0	19.9
Health and Welfare	3.3	3.3			3.3	3.3
Community Development	2.5				2.5	-
Other	1.6	6.0			1.6	6.0
Interest on Long-Term Debt			32.2		32.2	-
Water and Sewer			205.9	367.6	205.9	367.6
Total Expenses	<u>267.3</u>	<u>235.0</u>	<u>238.2</u>	<u>367.6</u>	<u>505.5</u>	<u>602.6</u>
Change in Net Assets	<u>42.1</u>	<u>78.2</u>	<u>48.7</u>	<u>(41.1)</u>	<u>90.7</u>	<u>37.1</u>

### Business – Type Activities

The Village's business-type activities consist of the Water and Sewer Fund. We provide water to approximately 93% of Village residents, which comes from the Village water system. We provide sewage treatment to approximately 95% of Village residents, through the Sewer Maintenance system.

### The Village's Funds

The Village major fund presentation begins on page 6 following the entity wide financial statements. The fund financial statements provide detail information about the most significant fund, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Village's major fund is the General Fund.

### General Fund Budgetary Highlights

Over the course of the year, the Village Council amended the budget to take into account events during the year. The amended budget revenue exceeded expenditures by \$12,814. The Village overall stayed below the expenditure budget and exceeded the revenue budget thereby allowing revenue to exceed expenditures by \$12,814. The General Fund's fund balance increased from \$145,955 a year ago to \$158,769 at February 28, 2007.

## **Management's Discussion and Analysis**

### **Capital Asset and Debt Administration**

At the end of 2007, the Village had \$4,095,262 invested in a broad range of capital assets, including buildings, land, water and sewer lines and roads within the Village.

During the fiscal year ended February 28, 2007, the Village issued \$175,000 in Transportation Fund Bonds to help finance a major street project. That project and others added approximately \$700,000 to the infrastructure assets for streets

### **Economic Factors and Next Year's Budgets and Rates**

Because of the impact of Proposal A the Village needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Village will grow less than by inflation, before considering new property additions.

### **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.



Village of Lyons  
Government Wide Statement of Net Assets  
February 28, 2007

Exhibit 1

	Primary Government		
	Governmental Type Activities	Business Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash (Note 4)	\$ 293,074	\$ 269,843	\$ 562,917
Taxes Receivable-Delinquent	243		243
Due From State	38,991		38,991
Due From Other Funds		7,248	7,248
Receivables--Net	351	22,435	22,786
Other Assets	8,034	1,084	9,117
<b>Total Current Assets</b>	<b>340,693</b>	<b>300,609</b>	<b>641,302</b>
<b>Noncurrent Assets</b>			
Restricted Cash		34,210	34,210
Capital assets-Net (Note 5)	1,534,069	970,981	2,505,049
<b>Total assets</b>	<b>\$ 1,874,762</b>	<b>\$ 1,305,799</b>	<b>\$ 3,180,561</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 11,743	\$ 25,929	\$ 37,672
Current Portion of Noncurrent Liabilities		51,097	51,097
Interest Payable		11,324	11,324
Due to Other Funds	7,131	117	7,248
<b>Total Current Liabilities</b>	<b>18,874</b>	<b>88,466</b>	<b>107,340</b>
<b>Noncurrent Liabilities</b>			
Deposits Payable		7,678	7,678
Bonds, Notes and Loans Payable	175,000	627,531	802,531
<b>Total liabilities</b>	<b>193,874</b>	<b>723,675</b>	<b>917,549</b>
<b>NET ASSETS</b>			
Invested in Capital Assets--Net of Related Debt	1,359,069	292,353	1,651,421
Restricted	9,798	34,210	44,008
Unrestricted	312,021	255,561	567,582
<b>Total Net Assets</b>	<b>1,680,888</b>	<b>582,124</b>	<b>2,263,012</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,874,762</b>	<b>\$ 1,305,799</b>	<b>\$ 3,180,561</b>

The Notes to Financial Statements are an Integral Part of this Statement.

Village of Lyons  
Government Wide Statement of Activities  
For the Year Ended February 28, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government						
General Government	\$ 137,240	1,150		\$ (136,090)		\$ (136,090)
Public Safety	5,286			(5,286)		(5,286)
Public Works	63,257		74,174	10,917		10,917
Health and Welfare	3,274			(3,274)		(3,274)
Community Development	29			(29)		(29)
Culture and Recreation	19,914			(19,914)		(19,914)
Other Functions	5,970			(5,970)		(5,970)
Total Governmental Activities	234,970	1,150	74,174	(159,646)		(159,646)
Business-Type Activities						
Water and Sewer	367,534	226,836	11,812		(128,886)	(128,886)
Total Business-Type Activities	367,534	226,836	11,812		(128,886)	(128,886)
Total Primary Government	\$ 602,504	\$ 227,986	\$ 85,986	(159,646)	(128,886)	(288,532)
General Revenues						
Property Taxes				128,877		128,877
State Grants				84,769		84,769
Debt Service Fee					69,758	69,758
Unrestricted Investment Earnings				7,499	15,324	22,823
Fines and Forfeitures				14		14
Other Revenue				16,689	2,700	19,389
Total General Revenues--Special Items and Transfers				237,848	87,782	325,630
Change in Net Assets				78,202	(41,104)	37,098
Net Assets--Beginning				1,602,686	623,228	2,225,914
Net Assets--Ending				\$ 1,680,888	\$ 582,124	\$ 2,263,012

The Notes to Financial Statements are an integral part of this statement.

Village of Lyons  
Balance Sheet  
Governmental Funds  
February 28, 2007

Exhibit 3

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 199,943	\$ 27,060	\$ 227,002
Taxes Receivable	243		243
Due From State	25,600	13,391	38,991
Accounts Receivable	320		320
Due from Other Funds		7,336	7,336
Other Assets	6,416		6,416
<b>Total Assets</b>	<b>\$ 232,522</b>	<b>\$ 47,786</b>	<b>\$ 280,308</b>
<b>Liabilities</b>			
Accounts Payable	\$ 2,570	\$ 362	\$ 2,932
Due to Other Funds	14,615	1,547	16,163
Payroll Taxes Payable	2,516		2,516
<b>Total Liabilities</b>	<b>19,702</b>	<b>1,909</b>	<b>21,611</b>
<b>Fund Balances</b>			
Designated Fund Balance	6,198	3,600	9,798
Fund Balance	206,622	42,277	248,899
<b>Total Liabilities and Fund Balances</b>	<b>\$ 232,522</b>	<b>\$ 47,786</b>	<b>\$ 280,308</b>

Amounts reported for governmental activities in the statement of net assets  
are different because:

Fund Balance	\$ 258,698
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	1,534,069
Internal Service Funds are used by management to charge the costs of motor pool activities to other funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets	69,092
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(180,970)
<b>Net Assets of Governmental Activities</b>	<b>\$ 1,680,888</b>

The Notes to Financial Statements are an Integral Part of this Statement.

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Funds

For the Year Ended February 28, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 127,791	1,087	\$ 128,877
Fines and Forfeitures	14		14
Federal Grants		397,991	397,991
State Grants	84,769	74,174	158,943
Charges for Services	1,150		1,150
Interest and Rentals	6,546	953	7,499
Other Revenue	11,833	4,856	16,689
Total Revenues	232,103	479,060	711,163
<b>Expenditures</b>			
General Government	131,969		131,969
Public Safety	5,286		5,286
Public Works		737,513	737,513
Health and Welfare	3,274		3,274
Community and Economic Development		29	29
Culture and Recreation	22,083		22,083
Other Functions			-
Capital Outlay	10,218		10,218
Total Expenditures	172,831	737,541	910,372
Excess (deficiency) of Revenues vs. Expenditures	59,272	(258,481)	(199,209)
<b>Other Financing Sources (Uses)</b>			
Transfers In (out)	(43,606)	43,606	-
Bond Proceeds		175,000	175,000
Total Other Financing Sources (Uses)	(43,606)	218,606	175,000
<b>Net Change in Fund Balances</b>	15,666	(39,876)	(24,209)
Fund Balances - Beginning:	190,955	82,153	273,108
Fund Balances - Ending:	\$ 206,622	\$ 42,277	\$ 248,899

The Notes to Financial Statements are an Integral Part of this Statement.

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balance	\$ (24,209)
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays exceeded depreciation in the current period.	664,140
Internal Service Funds are used by management to charge the costs of motor pool activities to other funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	17,232
Bond proceeds are not reported as financing sources on the statement of activities.	(175,000)
Accrued interest on long term debt is not reported until paid in governmental funds but is reported in the statement of activities	(5,970)
Federal Grant for the construction of streets is not reported in the statement of net assets	(397,991)
Change in Net Assets of Governmental Activities	\$ 78,202

Village of Lyons  
Statement of Net Assets  
Proprietary Funds  
February 28, 2007

Exhibit 5

	Business-type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<b>Assets</b>				
<b>Current Assets</b>				
Cash	\$ 65,428	\$ 204,414	\$ 269,843	\$ 66,072
Receivables--Net	16,299	6,136	22,435	31
Due From Other Funds	5,556	1,692		1,696
Other Assets	855	229		1,618
<b>Total Current Assets</b>	<b>88,137</b>	<b>212,472</b>	<b>292,277</b>	<b>69,417</b>
<b>Noncurrent Assets</b>				
Restricted Cash	34,210		34,210	
Capital Assets--Net	782,722	188,259	970,981	56,626
<b>Total Assets</b>	<b>\$ 905,069</b>	<b>\$ 400,731</b>	<b>\$ 1,297,468</b>	<b>\$ 126,042</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 22,929	\$ 3,000	\$ 25,929	\$ 325
Due to Other Funds	89	27	117	
Current Portion of Noncurrent Liabil	51,097		51,097	
Interest Payable	11,324		11,324	
<b>Total Current Liabilities</b>	<b>85,439</b>	<b>3,027</b>	<b>88,466</b>	<b>325</b>
<b>Noncurrent Liabilities</b>				
Deposits Payable	5,739	1,940	7,678	
Bonds, Notes and Loans Payable	627,531		627,531	
<b>Total Liabilities</b>	<b>718,708</b>	<b>4,967</b>	<b>723,675</b>	<b>325</b>
<b>Net Assets</b>				
Invested in Capital Assets--Net of				
Related Debt	104,094	188,259	292,353	
Restricted for Debt Service	34,210		34,210	
Unrestricted	48,057	207,505	255,561	125,717
<b>Total Net Assets</b>	<b>186,361</b>	<b>395,763</b>	<b>582,124</b>	<b>125,717</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 905,069</b>	<b>\$ 400,731</b>	<b>\$ 1,305,799</b>	<b>\$ 126,042</b>

The Notes to Financial Statements are an Integral Part of this Statement.

Village of Lyons  
Statement of Revenue, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended February 28, 2007

Exhibit 6

	Business-type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Operating Revenue				
Permits and Fees	\$ 1,297	\$ 1,125	\$ 2,422	
Charges for Services	143,601	83,235	226,836	\$ 48,998
Total Operating Revenue	144,898	84,360	229,258	48,998
Operating Expenses				
Office Expenses	20,417	19,968	40,385	1,366
Repair & Maintenance	151,968	101,993	253,961	18,107
Depreciation	25,868	13,265	39,133	9,689
Total Operating Expenses	198,252	135,226	333,478	29,162
Operating Income (Loss)	(53,354)	(50,866)	(104,220)	19,836
Other Revenue (Expenses)				
Interest on Long Term Debt	(34,056)		(34,056)	
Debt Service Fee	69,758		69,758	
Grants	11,812		11,812	
Rental Earned	2,700		2,700	
Interest Earned	5,838	9,486	15,324	2,198
Miscellaneous	5,194		5,194	
Total Other Revenue (Expenses)	61,246	9,486	70,732	2,198
Income (Loss) Before Transfers In (Out)	7,892	(41,380)	(33,488)	22,034
Transfers In (Out)				
Change in Net Assets	7,892	(41,380)	(33,488)	22,034
Total Net Assets--Beginning	178,469	437,164	615,632	103,683
Total Net Assets--Ending	\$ 186,361	\$ 395,783	\$ 582,144	\$ 125,717

The Notes to the Financial Statements are an Integral Part of This Statement

Village of Lyons  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended February 28, 2007

EXHIBIT 7

	Enterprise Funds	
	Water Fund	Sewer Fund
Cash Flows From Operating Activities		
Receipts from Customers	\$ 152,792	\$ 84,360
Receipts from Grants	11,812	
Payments to Employees	(24,876)	(12,553)
Payments to Vendors	(147,480)	(118,005)
Net Cash Provided by Operating Activities	(7,752)	(46,197)
Cash Flows From Non Capital Financing Activities		
Transfers		
Net Cash Provided by Non Capital Financing Activities		-
Cash Flows From Capital and Related Financing Activities		
Principal Paid on Capital Debt	(49,705)	
Interest Paid on Capital Debt	(34,056)	
Debt Service Fee	69,758	
Net Cash Provided by Capital and Related Financing Activities	(14,003)	
Cash Flows From Investing Activities		
Interest and Dividends	5,838	9,486
Net Cash Provided by Investing Activities	5,838	9,486
Net Increase (Decrease) in Cash and Cash Equivalents	(15,917)	(36,711)
Cash and Cash Equivalents at Beginning of Year	81,345	241,125
Cash and Cash Equivalents at End of Year	\$ 65,428	\$ 204,414
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (53,354)	\$ (50,866)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used)		
by Operating Activities	5,155	1,659
Depreciation Expense	25,868	13,285
Change in Assets and Liabilities		
Decrease (Increase) in Receivables	(15,346)	(3,816)
Increase (Decrease) in Accounts Payable	21,760	3,027
Net Cash Provided by Operating Activities	\$ (15,917)	\$ (36,711)

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF LYONS  
NOTES TO THE FINANCIAL STATEMENTS  
February 28, 2007

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Lyons conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Lyons:

**A. Reporting Entity**

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

The Village of Lyons is located in Ionia County and covers an area of 1.2 square miles. The Village provides services to its 726 residents in many areas including fire protection, community enrichment and development, and human services. The Village is a general law village governed by a seven-member council elected by the citizens of the Village of Lyons. The Village Council consists of the president and six council members. The accompanying financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. Based on the criteria established by the Governmental Accounting Standards Board (GASB), the Village of Lyons has no component units.

***Related Organizations***-The Village of Lyons has entered a *Fire Protection Agreement* with Lyons Township, Muir Village and Pewamo Village. The primary provisions of the agreement include:

- Lyons Township will purchase the necessary fire fighting equipment and operating supplies;
- Lyons Township is to pay the firefighters;
- The villages have control of fire trucks and equipment;
- Lyons Township will provide insurance for the equipment, liability insurance and workers compensation insurance, as well as the insurance for the personnel of the department;
- Lyons Township will pay all equipment operating costs; and
- Lyons Village will supply housing for the trucks and equipment in the village and maintain the building.

**B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

**C. Fund Financial Statements**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



VILLAGE OF LYONS  
NOTES TO THE FINANCIAL STATEMENTS  
February 28, 2007

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**E. Measurement Focus, Basis of Accounting and Financial Statement Presentation** (continued)

*Governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and state-shared revenue are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**Property Taxes**—The Village property tax is levied and collectible on July 1 on the taxable valuation of property located in the Village as of the preceding December 31st. Taxes are returned delinquent to the County Treasurer on September 15. It is the Village's policy to recognize revenues in the current year when they are made available for the financing of Village operations.

The 2006 taxable value of the Village of Lyons amounted to \$10,336,950, on which ad valorem taxes of 11.9418 mills were levied for Village operating purposes. The 2006 current tax levied included \$123,439 for village operations. The delinquent real taxes totaling \$243 for the Village are recorded as Taxes Receivable.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of general village departments.

The Village reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system.

The Sewer Fund accounts for the activities of the sewage collection system.

Additionally, the Village reports the following fund types:

Special Revenue Funds are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Proprietary-Internal Service Funds are used by management to charge the costs of motor pool activities to other funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected not to follow private sector standards issued after November 30, 1989 for its business type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

VILLAGE OF LYONS  
NOTES TO THE FINANCIAL STATEMENTS  
February 28, 2007

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**F. Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits**--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Receivables and Payables**--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." All property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on September 15th, at which time penalties and interest are assessed at the County.

**Capital Assets**--Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Retroactive reporting of infrastructure assets is not required for units of government the size of the Village.

Property, buildings and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 50 years
Vehicles and Grounds Equipment	5 to 30 years
Office Equipment	5 years
Computer Equipment	5 years
Infrastructure	30 to 100 years

**Fund Equity**--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**G. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budget Information**

The annual budget is prepared by the Village's management and adopted by the Council. Amendments to the budget have been made by the Council. The annual operating budget has been prepared on a basis of accounting consistent with accounting principles generally accepted in the United States of America and is adopted at the department/activity level. Unexpended appropriations lapse at year-end.

**Excess of Expenditures Over Appropriations in Budgeted Funds**

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Village's actual expenditures and budgeted expenditures for the funds budgeted have been shown on a department/activity basis.

VILLAGE OF LYONS  
NOTES TO THE FINANCIAL STATEMENTS  
February 28, 2007

**NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Excess of Expenditures Over Appropriations in Budgeted Funds**

During the fiscal year ended February 28, 2007, the Village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>General Fund</b>				
Building and Grounds	71,362	71,362	73,962	(2,600)
<b>Major Street Fund</b>				
Road Construction		9,300	9,367	(67)
<b>Local Street Fund</b>				
Road Maintenance	17,532	26,532	27,111	(579)
<b>DDA Fund</b>				
Transfer Out			1,394	(1,394)

**NOTE 3--CASH**

Deposits are carried at cost. Deposits of the village are made in banks in the name of the Village of Lyons Treasurer. Michigan Compiled Laws, Section 124.91, authorizes the village treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. The Village's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the Village's cash deposits, are as follows:

<u>Deposits</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$270,238	\$265,091
Uninsured	<u>331,914</u>	<u>331,331</u>
Total Deposits	<u>\$ 602,152</u>	<u>\$ 596,422</u>

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

**Statement of Net Assets**

Cash	\$562,212
Restricted cash	<u>34,210</u>
<b>Total</b>	<u>\$596,422</u>

**Deposits and investments**

Bank deposits	\$596,422
Cash on hand	<u>100</u>
<b>Total</b>	<u>\$596,522</u>

The Village chooses to disclose its investments by specifically identifying each. As of year end, the Village had the following deposits and investments.

	<u>Carrying Amount (Fair Value)</u>	<u>Credit Rating</u>	<u>Maturity</u>
<b>Deposits and investments</b>			
Governmental money market:			
Independent Bank	\$408,292	Unrated	N/A
ICNB	<u>188,130</u>	Unrated	N/A
<b>Total</b>	<u>\$596,422</u>		

VILLAGE OF LYONS  
NOTES TO THE FINANCIAL STATEMENTS  
February 28, 2007

**NOTE 3—CASH continued**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments, where applicable, have been identified above for the Village's investments.

**NOTE 4—CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

<b>Governmental Activities</b>	<b>Beginning</b>			<b>Ending</b>
<u>Capital Assets Not Being Depreciated</u>	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
Land	36,241			36,241
Construction in Progress	37,489		37,489	
Subtotal	73,730		37,489	36,241
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	311,493	10,218		321,711
Office Equipment	32,672			32,672
DPW Equipment	262,480			262,480
Infrastructure	910,552	706,642		1,617,194
Subtotal	1,517,197	716,860		2,234,057
Less Accumulated Depreciation for				
Buildings and Improvements	93,701	2,197		95,898
Office Equipment	12,844	5,116		17,959
DPW Equipment	196,166	9,689		205,855
Infrastructure	245,453	7,918		253,371
Subtotal	548,163	24,920		573,083
Net Capital Assets Being Depreciated	969,034	716,860	24,920	1,660,974
<b>Governmental Activities Total</b>				
Capital Assets—Net of Depreciation	1,042,764	716,860	62,409	1,697,215
 <b>Business-Type Activities</b>				
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	414,287			414,287
Water Mains	436,774			436,774
Wells	165,859			165,859
Water Tower	153,170			153,170
Sewer Mains	664,241			664,241
Subtotal	1,834,331			1,834,331
Less Accumulated Depreciation for				
Buildings and Improvements	32,360	8,541		40,901
Water Mains	209,263	8,735		217,998
Wells	22,897	5,529		28,426
Water Tower	64,787	3,063		67,850
Sewer Mains	462,697	13,285		475,982
Subtotal	792,004	39,153		831,157
<b>Business-Type Activities Total</b>	1,042,327		39,153	1,003,174
 All Capital Assets—Net of Depreciation	2,085,090	716,860	101,562	2,700,389

VILLAGE OF LYONS  
NOTES TO THE FINANCIAL STATEMENTS  
February 28, 2007

**NOTE 4--CAPITAL ASSETS** (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Administration	6,333
Building & Grounds	981
Streets	7,918
Equipment	9,689
Business-Type Activities	
Sewer	13,285
Water	25,868

**NOTE 5--LONG TERM DEBT**

Revenue Bonds Payable--Series 2000-B--(Bond Authority)

\$425,000 of bonds issued in 2001 to finance water system improvements within the Village. Principal payments are due annually on November 1 with interest payable on May 1 and November 1 as follows:

Year Ending 28-Feb	Principal	Interest
2008	10,000	19,690
2009	10,000	19,215
2010	10,000	18,735
Thereafter	<u>335,000</u>	<u>179,844</u>
Totals	<u>\$365,000</u>	<u>\$237,484</u>

Revenue Bonds Payable (GMAC)

Principal payments are due annually on January 1 with interest payable on January 1 and July 1. Those bonds maturing in 1982 and thereafter are subject to redemption prior to maturing after January 1, 1981, at the option of the Village in inverse numerical order on any interest date at par plus accrued interest to the date of redemption.

Year Ending 28-Feb	Principal	Interest
2008	18,000	4,750
2009	18,000	3,850
2010	19,000	2,950
2011	20,000	2,000
2012	<u>20,000</u>	<u>1,000</u>
	<u>\$95,000</u>	<u>\$14,550</u>

Water System Installment Purchase Debt

Principal payments are due annually on May 1 with interest payable on May 1 and November 1 as follows:

Year Ending 28-Feb	Principal	Interest
2008	7,000	4,656
2009	7,000	4,218
2010	8,000	3,750
Thereafter	<u>56,000</u>	<u>10,938</u>
Total	<u>\$78,000</u>	<u>\$23,561</u>

VILLAGE OF LYONS  
NOTES TO THE FINANCIAL STATEMENTS  
February 28, 2007

**NOTE 5--LONG TERM DEBT** (continued)

Settlement Agreement and Mutual Release  
Between Village of Muir and Village of Lyons

In June 2005 the Village entered a Settlement Agreement and Mutual Release with the Village of Muir to settle a lawsuit between the two parties. The settlement amount is \$175,000 plus interest of 2.5% payable in annual payments in the amount of \$19,612.98 due July 1 each year.

Year Ending 28-Feb	Principal	Interest
2008	16,097.28	3,515.70
2009	16,499.72	3,113.26
2010	16,912.21	2,700.77
2011	17,335.01	2,277.97
2012	17,768.39	1,844.59
2013	18,212.60	1,400.38
2014	18,667.91	945.07
2015	19,134.61	478.48
	<u>\$140,627.73</u>	<u>\$ 16,276.22</u>

2006 Michigan Transportation Fund Bonds

Principal payments are due annually on April 1 with interest payable on April 1 and October 1 as follows:

Year Ending 28-Feb	Principal	Interest
2008	\$ 8,000.00	\$11,452.78
2009	9,000.00	7,932.50
2010	9,000.00	7,505.00
2011	10,000.00	7,077.50
2012	10,000.00	6,602.50
2013	10,000.00	6,127.50
2014	11,000.00	5,652.50
2015	11,000.00	5,130.00
2016	12,000.00	4,607.50
2017	13,000.00	4,037.50
2018	13,000.00	3,420.00
2019	14,000.00	2,802.50
2020	14,000.00	2,137.50
2021	15,000.00	1,472.50
2022	16,000.00	760.00
	<u>\$175,000.00</u>	<u>\$76,717.78</u>

**NOTE 6--EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

**Plan Description**--The Village participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at:

1134 Municipal Way  
Lansing, Michigan 48917

**Funding Policy**--The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's employees and requires a contribution from the employees of 4 percent and from the employer of 7.43 percent of gross wages for General employees.

**Annual Pension Costs** --For year ended 2005, the Village's annual pension cost of \$5,780 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005 (latest report available), using the entry age normal cost method. Significant actuarial assumptions used include: (i) an 8 percent investment rate of return; and (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll contributions over a period of years. The standard amortization period to fund the

VILLAGE OF LYONS  
NOTES TO THE FINANCIAL STATEMENTS  
February 28, 2007

**NOTE 6--EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS** (continued)

**Annual Pension Costs** (continued)

unfunded liability is 30 years for positive unfunded liabilities, and 10 years for negative unfunded liabilities. Three-year trend information as of December 31, 2006 follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual Pension Cost	\$ 5,117	\$ 5,780	\$ 7,496
Actuarial Value of Assets	\$21,930	\$33,641	\$33,641
Actuarial Accrued Liability	\$23,071	\$40,190	
Unfunded AAL	\$1,141	\$ 6,549	\$ 7,161 (February 28, 2007)
Funded Ratio	95.1 %	83.7%	
Covered Payroll	\$83,786	\$90,098	\$83,786
UAAL as a Percentage of Covered Payroll	1%	7%	

**NOTE 7--OTHER POST-EMPLOYMENT BENEFITS**

The Village has elected to provide post-employment health benefits to one retiree. The Village pays the full cost of coverage for these benefits. Currently, one retiree is eligible for post-employment health benefits. For the fiscal year ended February 28, 2007, the Village made payments for post-employment health benefit premiums of \$2,077. The Village obtains health care coverage through private insurers.

**NOTE 8--RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Village is insured with the Michigan Municipal Liability and Property Pool. Workmen's compensation coverage is acquired from the Accident Fund of Michigan.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982. The Village pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member payments determined necessary by the Pool Board. During fiscal year end February 28, 2007 and the previous two years, there were no settlements that exceeded the respective insurance coverage. In addition, there has been no reduction in insurance coverage from the prior year.

**NOTE 9--CONTINGENT LIABILITIES**

The Village, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The Village's attorney and insurance carrier estimate that the potential claims against the Village, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Village.

Village of Lyons  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended February 28, 2007

Exhibit 8

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Budgetary Fund Balance-Beginning	\$ 895,746	\$ 895,746	\$ 145,955	\$ (749,790)
Resources (Inflows)				
Taxes	117,160	117,160	127,791	10,631
Fines and Forfeitures	125	125	14	(111)
State Grants	80,000	80,000	84,769	4,769
Charges for Services	500	500	6,906	6,406
Interest	200	200	6,546	6,346
Other Revenue	4,820	6,350	6,076	(274)
Transfer In			1,394	1,394
Amounts Available for Appropriation	<u>1,098,551</u>	<u>1,100,081</u>	<u>379,452</u>	<u>(720,629)</u>
Charges to Appropriations (Outflows)				
General Government				
Village Council	25,621	10,621	6,333	4,288
President	3,084	3,084	2,616	468
Clerk	18,683	22,683	21,607	1,076
Treasurer	4,932	9,432	9,101	331
Administration	19,650	24,650	19,073	5,577
Elections				-
Building and Grounds	71,362	71,362	73,962	(2,600)
Public Safety				
Fire Department	5,475	5,475	5,286	189
Health and Welfare				
Ambulance	3,500	3,500	3,274	226
Recreation and Culture				
Parks	14,751	17,251	16,202	1,049
Recreation	4,095	6,000	5,932	
Other Functions				
Insurance & Bonds	1,600	2,100	2,078	22
Capital Outlay				
Capital Outlay	15,175	15,175	10,218	4,957
Transfers Out	90,000	84,000	45,000	39,000
Total Charges to Appropriations	<u>\$ 277,928</u>	<u>\$ 275,333</u>	<u>220,682</u>	<u>54,651</u>
Budgetary Fund Balance-Ending	<u>\$ 820,623</u>	<u>\$ 824,748</u>	<u>\$ 158,769</u>	<u>\$ (665,979)</u>



Village of Lyons  
 Budgetary Comparison Schedule  
 Major Street Fund  
 For the Year Ended February 28, 2007

Exhibit 9

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Budgetary Fund Balance-Beginning	\$ 86,718	\$ 86,718	\$ 62,026	\$ (24,692)
Resources (Inflows)				
State Grants	55,000	55,000	53,054	(1,946)
Interest and Rentals	700	700	460	(240)
Other Revenue	1,800	1,800	2,685	885
Amounts Available for Appropriation	144,218	144,218	118,226	(25,992)
Charges to Appropriations (Outflows)				
Public Works				
Street Department				
Road Construction		9,300	9,367	(67)
Road Maintenance	25,915	25,915	22,012	3,903
Bridge Maintenance	11,731	2,731	1,001	1,730
Winter Maintenance	14,854	14,854	8,137	6,717
Roadside Parks	2,916	2,916		2,916
Traffic Services	600	1,000	912	88
Administration	5,450	1,550	1,007	543
Transfers Out	60,000	60,000	60,000	
Total Charges to Appropriations	121,466	118,266	102,437	15,829
Budgetary Fund Balance-Ending	\$ 22,752	\$ 25,952	\$ 15,789	\$ (10,163)

Village of Lyons  
 Budgetary Comparison Schedule  
 Local Street Fund  
 For the Year Ended February 28, 2007

Exhibit 10

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Budgetary Fund Balance-Beginning	\$ 17,706	\$ 17,706	\$ 17,410	\$ (295)
Resources (Inflows)				
State Grants	22,000	22,000	21,119	(881)
Interest and Rentals	50	50	328	278
Other Revenue	1,800	1,800	2,171	371
Amounts Available for Appropriation	<u>41,556</u>	<u>41,556</u>	<u>41,028</u>	<u>(898)</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Department				
Road Maintenance	17,532	26,532	27,111	(579)
Winter Maintenance	6,461	6,461	6,235	226
Traffic Services	583	583	505	78
Administration	5,175	2,075	1,438	637
Total Charges to Appropriations	<u>29,751</u>	<u>35,651</u>	<u>35,289</u>	<u>362</u>
Budgetary Fund Balance-Ending	<u>\$ 11,805</u>	<u>\$ 5,905</u>	<u>\$ 5,739</u>	<u>\$ (166)</u>

Village of Lyons  
 Budgetary Comparison Schedule  
 DDA Fund  
 For the Year Ended February 28, 2007

Exhibit 11

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Budgetary Fund Balance-Beginning	\$ 1,338	\$ 1,338	\$ 2,717	1,379
Resources (Inflows)				
Taxes	1,300	1,000	1,087	87
Private Contributions				-
Amounts Available for Appropriation	2,638	2,338	3,803	1,465
Charges to Appropriations (Outflows)				
Community and Economic Development				
Community Development	2,500	2,530	29	2,501
Transfer Out			1,394	(1,394)
Total Charges to Appropriations	2,500	2,530	1,423	1,107
Budgetary Fund Balance-Ending	\$ 138	\$ (192)	\$ 2,380	\$ 2,572

Village of Lyons  
Combining Balance Sheet  
Non-Major Governmental Funds  
February 28, 2007

Exhibit 12

	Special Revenue Funds			Capital Project Fund	Total Nonmajor Governmental Funds
	Major Street Fund	Local Street Fund	DDA Fund	Street Construction Fund	
<b>Assets</b>					
Cash	\$ 4,890	\$ 1,420	\$ 2,380	\$ 18,370	\$ 27,060
Due From State	9,579	3,812			13,391
Due from Other Funds	4,120	3,216			7,336
<b>Total Assets</b>	<u>\$ 18,589</u>	<u>\$ 8,448</u>	<u>\$ 2,380</u>	<u>\$ 18,370</u>	<u>\$ 47,787</u>
<b>Liabilities</b>					
Accounts Payable	\$ 83	\$ 279	\$ -	\$ -	\$ 362
Due to Other Funds	918	630			1,547
<b>Total Liabilities</b>	<u>1,000</u>	<u>909</u>			<u>1,909</u>
<b>Fund Equity</b>					
Reserved Fund Balance	1,800	1,800			3,600
Fund Balance	<u>15,789</u>	<u>5,739</u>	<u>2,380</u>	<u>18,370</u>	<u>42,278</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 18,589</u>	<u>\$ 8,448</u>	<u>\$ 2,380</u>	<u>\$ 18,370</u>	<u>\$ 47,787</u>

Village of Lyons  
Combining Statement of Revenues, Expenditures  
And Changes in Fund Balance  
Governmental Funds  
For the Year Ended February 28, 2007

Exhibit 13

	Special Revenue Funds			Capital Project Fund	Total Nonmajor Governmental Funds
	Major Street Fund	Local Street Fund	DDA Fund	Street Construction Fund	
Revenues					
Taxes			\$ 1,086.64		\$ 1,087
Federal Grants				\$ 397,991	397,991
State Grants	\$ 53,054	\$ 21,119			74,174
Interest on Investments	460	328		165	953
Other Revenue	2,685	2,171			4,856
Total Revenues	<u>56,200</u>	<u>23,618</u>	<u>1,087</u>	<u>398,156</u>	<u>479,060</u>
Expenditures					
Public Works					
Administration	1,007	1,438		16,364	18,809
Street Construction	9,367			643,423	652,789
Street Maintenance	22,012	27,111			49,124
Bridge Maintenance	1,001				1,001
Roadside Parks					-
Winter Maintenance	8,137	6,235			14,372
Traffic Services	912	505			1,418
Community and Economic Development					-
Community Development			29		29
Total Expenditures	<u>42,437</u>	<u>35,289</u>	<u>29</u>	<u>659,787</u>	<u>737,541</u>
Excess (deficiency) of Revenues vs. Expenditures and Other Uses	<u>13,763</u>	<u>(11,671)</u>	<u>1,058</u>	<u>(261,630)</u>	<u>(258,481)</u>
Other Financing Sources (Uses)					
Transfers In (Out)	(60,000)		(1,394)	105,000	43,606
Bond Proceeds				175,000	175,000
Total Other Financing Sources	<u>(60,000)</u>	<u>-</u>	<u>(1,394)</u>	<u>280,000</u>	<u>218,606</u>
Net Change in Fund Balances	<u>(46,237)</u>	<u>(11,671)</u>	<u>(337)</u>	<u>18,370</u>	<u>(39,876)</u>
Fund Balances - Beginning	62,026	17,410	2,717	-	82,153
Fund Balances - Ending	<u>\$ 15,789</u>	<u>\$ 5,739</u>	<u>\$ 2,380</u>	<u>\$ 18,370</u>	<u>\$ 42,277</u>

# Richard L. Baldermann

## Certified Public Accountant

1197 Wild Cherry Drive, Williamston, MI 48895

Office: (517) 655-4772

Cell Phone: (517) 896-2210



e-mail: [ribaldermann@msn.com](mailto:ribaldermann@msn.com)

December 6, 2007

Lyons Village Council  
212 Water Street  
P.O. Box 175  
Lyons, Michigan 48851-0175

Dear Council Members:

I was engaged to audit the financial statements of Lyons Village for the year ended February 28, 2007, and have issued my report thereon dated December 6, 2007.

In planning and performing my audit of the financial statements of Lyons Village as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered the Village's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, I do not express an opinion on the effectiveness of the Village's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. I consider the following deficiencies to be significant deficiencies in internal control. Each is discussed in detail in the attached Comments and Recommendations Report.

- Bank Account reconciliation are not completed promptly each month;
- Balance sheet accounts are not reconciled and balanced on a regular timely basis;
- Interest earned at fiscal year end is not recorded timely; and
- There are instances of excess of expenditures over appropriations.

This report is intended for the information of management and other regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Richard L. Baldermann, CPA

Lyons Village  
Comments And Recommendations  
February 28, 2007

**SIGNIFICANT DEFICIENCIES**

Although the following are not considered material weaknesses in internal control, my audit disclosed certain other significant deficiencies that I wish to point out for consideration by the management of Lyons Village.

**Bank Account Reconciliation**

**Bank Account** reconciliations are not completed on a monthly basis. Reconciling items are carried forward for several months and adjusting entries are not made promptly.

Proper procedures require that bank accounts be reconciled and balanced monthly. This includes completing the process and making all adjusting entries before moving to the next month.

I recommend that bank reconciliation procedures be completed promptly each month.

**Balance Sheet Account Reconciliation**

Balance sheet accounts are not reconciled and balanced on a regular timely basis. This results in accounts misstated each month and at year end.

I recommend that all balance sheet accounts be reconciled and balanced to subsidiary ledgers promptly each month.

**Interest**

Interest earned at fiscal year end is not recorded timely.

Sewer Fund CD interest is not recorded timely as follows:

- January-February 2007 interest wasn't posted until May 10, 2007

Water Fund CD interest is not recorded timely as follows:

- January-February 2007 interest wasn't posted until May 10, 2007

I recommend that interest be recorded in the period it is earned.

**NONCOMPLIANCE WITH STATE STATUTES**

My examination revealed the following instances of noncompliance with State Statutes.

**Excess of Expenditures Over Appropriations in Budgeted Funds**

During the fiscal year ended March 31, 2007, the Village incurred expenditures that were in excess of the amounts appropriated, as follows:

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Unfavorable)</u>
<b><u>General Fund</u></b>				
Building and Grounds	71,362	71,362	73,962	(2,600)
<b><u>Major Street Fund</u></b>				
Road Construction		9,300	9,367	(67)
<b><u>Local Street Fund</u></b>				
Road Maintenance	17,532	26,532	27,111	(579)
<b><u>DDA Fund</u></b>				
Transfer Out			1,394	(1,394)

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.